

**ORIGINAL**

Decision No. 59805

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
THE CALIFORNIA OREGON POWER COMPANY  
for an order authorizing the accounting  
procedure to be followed with respect  
to amortization of certain facilities.

Application No. 42003

OPINION AND ORDER

By Decision No. 50049, dated May 18, 1954, as amended, the Commission authorized The California Oregon Power Company to follow certain accounting procedures with respect to the deferment of taxes on income arising from accelerated amortization of certificated defense facilities, which accounting procedures, among other things, provided for crediting tax deferrals to Reserve for Deferred Taxes, a separate subaccount under Account 258-2, Miscellaneous Reserves.

The company is a licensee and a public utility subject also to the jurisdiction of the Federal Power Commission under the Federal Power Act. That commission has entered an order requiring that tax deferrals arising from the use of accelerated amortization be credited to subaccount 266.1, Accumulated Deferred Taxes on Income - Accelerated Amortization, this being a subaccount under Account 266, Accumulated Deferred Taxes on Income.

Applicant therefore at present is required to comply with conflicting orders as to the balance sheet treatment arising because of the use of accelerated amortization. The orders of this Commission require the tax deferrals to be shown as a reserve, whereas the order of the Federal Power

Commission requires the amounts to be shown not as a reserve but in a special balance sheet classification. It is impossible for applicant to comply with the orders of both commissions and applicant has requested this Commission to modify its former authorizations so as to permit the establishment of the accounts specified in the order of the Federal Power Commission.

There is no difference in substance between the accounting treatment authorized in the orders of the two commissions and we have no objection to granting applicant's request; therefore,

IT IS HEREBY ORDERED as follows:

1. Subparagraph (a) of Ordering Paragraph 1 of the Order in Decision No. 50049, dated May 18, 1954, is amended to read as follows:

"(a) To charge to Account 507-A, Provision for Deferred Taxes on Income (a new account) and to credit to Account 266.1, Accumulated Deferred Taxes on Income - Accelerated Amortization, a separate subaccount under Account 266, Accumulated Deferred Taxes on Income, an amount each year equal to the reduction in federal income and California Bank and Corporation Franchise taxes resulting from the accelerated amortization permitted by the necessity certificate."

2. Subparagraph (c) of Ordering Paragraph 1 of the Order in said Decision No. 50049, dated May 18, 1954, is amended to read as follows:

"(c) To charge Account 507-2, Other Federal, State and Local Taxes (a new subaccount) with California Bank and Corporation Franchise taxes to be paid and applicable to the current year."

3. Subparagraph (d) of Ordering Paragraph 1 of the Order in said Decision No. 50049, dated May 18, 1954, as amended, is further amended to read as follows:

"(d) After the accelerated amortization under the necessity certificate is complete or discontinued and thereafter during the life of such property or until the earlier exhaustion of the portion of the Accumulated Deferred Taxes on Income related to such property:

"i. To charge Accumulated Deferred Taxes on Income - Accelerated Amortization and credit Account 507-B, Taxes on Income Deferred in Prior Years-Credit (a new account) an amount for each year equal to the increase in federal income and California Bank and Corporation Franchise taxes payable for that year due to the fact that normal depreciation cannot be deducted because of previous amortization of the property under the necessity certificate.

"ii. Any balance remaining in Accumulated Deferred Taxes on Income - Accelerated Amortization with respect to plant amortized under the necessity certificate, shall, upon expiration of the estimated useful life of such plant, or upon retirement of such plant or predominant part thereof, be credited to Account 507-B, Taxes on Income Deferred in Prior Years-Credit, or otherwise be applied as the Commission may authorize or direct."

4. Ordering Paragraph 2 of the Order in said Decision No. 50049, dated May 18, 1954, is deleted.

5. The California Oregon Power Company may record and account for taxes deferred by reason of the use of its Big Bend Necessity Certificate No. TA 31080, as well as taxes deferred under its Necessity Certificate No. TA 18125, in accordance with the accounting procedures authorized by this order.

6. This Opinion and Order shall become effective on the date hereof.

Dated at San Francisco, California, this 22<sup>nd</sup> day of March, 1960.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Theodore Jensen  
Commissioners